

November 25, 2008

Lesley Cummins
Executive Director
Managed Risk Medical Insurance Board
P.O. Box 2769
Sacramento, CA 95812-2769
VIA ELECTRONIC MAIL (Cummings, Lesley [LCummings@mrrib.ca.gov])

Dear Lesley:

As a preliminary comment, I would like to reiterate that which I and Universal Care have always believed: that the Healthy Families Program, as administered in California by the Managed Risk Medical Insurance Board ("MRMIB"), is an exceptionally well-run program that provides the children of working families throughout California with access to valuable health care services. The MRMIB board and staff are to be congratulated for building the program to its current enrollment and benefits. With that notion in mind, I am writing today to express the concern of both Universal Care, Inc. and me, personally, regarding the considered implementation of a "waiting list" for Healthy Family enrollment.

I understand that the funds available to the MRMIB Board for the Healthy Families Program are limited to those that are approved by the State budgetary process and that the "waiting list" has been proposed as a result of budgetary constraints. Additionally, I realize the importance of fiscal responsibility in these troubling economic times. However, I firmly believe that the "waiting list" will be both in the short- and long-term *more* expensive for MRMIB and California.

As I am sure you are aware, preventative care is the cornerstone of a well managed children's health care system. In California, we have a preventative care program for children entitled the *Children's Health and Disability Prevention Program* ("CHDP"). This program provides eligible children in California with important preventative health care services. However, as you are aware, California receives 65% of its funding for the Healthy Families Program from Federal dollars, while the California's Medicaid program, through which CHDP is funded, receives only 50% of its funding from Federal dollars. Thus, when the children on the "waiting list" receive their preventative care from the CHDP program, California will receive *substantially less* in matching federal funds than it would had the member accessed those services via the Healthy Families Program.

While children who are placed on a Healthy Families Programs "waiting list" may receive their preventative care from CHDP, those same children may delay seeking care for *non*-CHDP care during their pendency on the Healthy Families Program "waiting list". This delay in care would invariably result in these children developing more advanced and complicated health issues that are more proportionately more expensive to treat. These increased on-going costs for non-CHDP care would be absorbed by MRMIB as the children on the "waiting list" slowly matriculate into the Healthy Families Program. Moreover, should such a delay in care result in the progression of

a disease or injury that would qualify for treatment under the California Children's Services ("CCS") program, California would once again pay more for that treatment under the CCS program as CCS services receive only 50% (compared to 65% under the Healthy Families Program) matching Federal funds.

In addition to CHDP and CCS qualified care, individuals on the Healthy Families Program "waiting list" may invariably seek care to treat conditions that are neither CHDP nor CCS qualified. If the child qualifies under any other Medicaid funded program, the economic analysis is the same: the care would be paid with a smaller percentage of matching Federal funds. Alternatively, if the child on the "waiting list" does not qualify for other Medicaid programs, the payment of those untenable financial burdens for the care would be borne either by indigent funding services (e.g., hospital disproportionate share funding, etc.) or by the parents of the child, a particularly daunting task during these very difficult economic times for either the family or the provider.

Lastly, but more importantly, this economic analysis is secondary to the tragic and preventable suffering endured by these children whose conditions worsen due to their inability to more timely or affordably seek needed healthcare services.

It is clear that MRMIB has not undertaken the proposal of a "waiting list" lightly and it is the result of powerful economic realities in the State of California. It is likewise clear that costs must be reduced in both the short- and long-term in order to make the solution both real and sustainable.

As an alternative to the proposed "waiting list", I would encourage MRMIB to transfer the Healthy Families Program vision benefit under the medical benefit, thereby reducing the cost of administering the program for both MRMIB *and* the plans. We would estimate the savings to be \$1 to \$1.50 per member per month, with a reduction in the overall administrative work for the MRMIB staff. Another possible benefit change that would not be overly burdensome to the families and that would reduce costs would be to change the pharmacy copayment structure from a flat copayment structure to a tiered copayment structure of \$4.00 for generic medications and \$10.00 for name brand medications. We estimate this would result in a savings of approximately \$1.00 per member per month. It is much more tenable and fair to implement on a short-term basis the benefit modifications noted above, and others as MRMIB sees fit, to ensure that the Healthy Families Program is financially able continue to absorb new enrollment during these transitional times. It is important for both the Legislature and Governor to note that President-elect Obama has made it clear that health care reform is one of his immediate priorities and that he has indicated repeatedly that additional funding sources will be made available for programs such as the Healthy Families Program.

I believe that a "freeze of enrollment" does not produce short- or long-term savings and I would respectfully encourage MRMIB and the state budget office to recalculate the actual savings that a "waiting list" would produce when all the cost factors noted above are included in the calculation. Please develop an alternative plan that will result in real and sustainable savings and please ask the Governor and the legislature to "do the math" before making budget cuts that do not work and work to exclude potential members from the Healthy Families Program.

Sincerely,

Jeffrey Davis
Universal Care COO

Counties Sending Letters to the State First 5 Commission
Expressing Intention to Help Fund the Healthy Families Program
Deficiency

Alameda
Amador
Butte
Calaveras
Colusa
Contra Costa
Del Norte
Glenn
Humboldt
Imperial
Inyo
Kern
Lake
Lassen
Los Angeles
Madera
Marin
Mariposa
Mendocino
Merced
Modoc
Monterey
Napa
Nevada
Orange
Placer
Riverside
Sacramento
San Benito
San Diego
San Francisco
San Joaquin
San Luis Obispo
Santa Barbara
Santa Clara
Santa Cruz
Shasta
Solano
Sonoma

Stanislaus
Sutter
Tehama
Trinity
Tuolumne
Ventura
Yolo
Yuba